

5/10/2004

SECURITIES



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MISSION

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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	September 30, 1998
Estimated average burden hours per response	12.00

MAY 30 2004

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 25248

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 02/01/03 AND ENDING 01/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Hakman & Company, Incorporated

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1350 Bayshore Hwy., Suite 720

(No. and Street)

Burlingame

(City)

CA

(State)

94010

(Zip Code)

OFFICIAL USE ONLY

FIRM ID. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

F. David Carr

(650) 348-1700

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Elwood Espina Ferrell LLP

(Name — if individual, state last, first, middle name)

100 No. El Camino Real,

(Address)

San Mateo,

(City)

CA

(State)

94401

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAY 4 2004

THOMSON  
FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, F. David Carr, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hakman & Company, Incorporated, as of January 31, 192004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

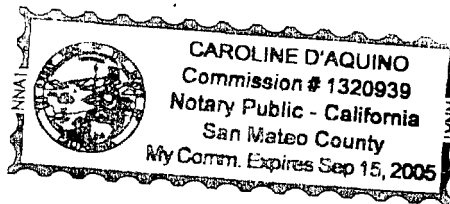
SUBSCRIBED AND SWORN TO BEFORE ME

THIS 15th DAY OF March 2004  
[Signature]  
NOTARY PUBLIC

Notary Public

F. David Carr  
Signature

EVP  
Title



This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	September 30, 1998
Estimated average burden hours per response . . .	12.00

Form  
X-17A-5

**FOCUS REPORT**  
(Financial and Operational Combined Uniform Single Report)  
**PART IIA** 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a) ☒ 16      2) Rule 17a-5(b) ☐ 17      3) Rule 17a-11 ☐ 18  
4) Special request by designated examining authority ☐ 19      5) Other ☐ 26

NAME OF BROKER-DEALER

SEC FILE NO.

Hakman & Company, Incorporated 13

8-25248 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

FIRM I.D. NO.

1350 Bayshore Hwy... Suite 720 20  
(No. and Street)

2N-08148-C1 15

FOR PERIOD BEGINNING (MM/DD/YY)

02/01/03 24

Burlingame 21 CA 22 94010 23  
(City) (State) (Zip Code)

AND ENDING (MM/DD/YY)

01/31/04 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code)—Telephone No.

F. David Carr 30

(650) 348-1700 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE 33

34 35

36 37

38 39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS?

YES ☐ 40 NO ☐ 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT

☐ 42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 15<sup>th</sup> day of March, 2004  
Manual signatures of:

- 1) F. David Carr  
Principal Executive Officer or Managing Partner  
2) F. David Carr  
Principal Financial Officer or Partner  
3) F. David Carr  
Principal Operations Officer or Partner

**ATTENTION**—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

Elwood Espina Ferrell LLP

70

ADDRESS

100 No. El Camino Real

71

San Mateo

72

CA

73

94401

74

Number and Street

City

State

Zip Code

CHECK ONE

☒ Certified Public Accountant

75

☐ Public Accountant

76

☐ Accountant not resident in United States  
or any of its possessions

77

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				



ELWOOD • ESPINA • FERRELL LLP  
*Certified Public Accountants*

## **Hakman & Company, Incorporated**

### **Independent Auditors' Report**

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To the Board of Directors and Shareholder of  
Hakman & Company, Incorporated:

We have audited the financial statements of Hakman & Company, Incorporated as of January 31, 2004, and for the year then ended, and have reported thereon without qualification in our Independent Auditors' Report dated February 17, 2004. In accordance with auditing standards generally accepted in the United States of America, and as discussed in our engagement letter dated November 3, 2003, we reviewed the company's system of internal accounting controls to the extent we deemed necessary in establishing the scope of our examination. Although such a review does not necessarily cover all aspects of internal accounting controls and might not detect all weaknesses in the company's system, our review did not disclose any material inadequacies.

*Elwood • Espina • Ferrell, LLP*

February 17, 2004



ELWOOD • ESPINA • FERRELL LLP

*Certified Public Accountants*

## **Hakman & Company, Incorporated**

### **Independent Auditors' Report**

To the Board of Directors and Shareholder of  
Hakman & Company, Incorporated:

We have audited the accompanying statement of financial condition of Hakman & Company, Incorporated (a California corporation) as of January 31, 2004, and the related statements of income (loss), changes in ownership equity, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hakman & Company, Incorporated as of January 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1 to 3 inclusive is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Elwood • Espina • Ferrell LLP*

February 17, 2004

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Hakman & Company, Incorporated**

**N 3**

**100**

## STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 01-31-04 **99**  
SEC FILE NO. 8-25248 **98**  
Consolidated ☐ **198**  
Unconsolidated ☒ **199**

	<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>
1. Cash .....	\$ 8,074 <b>200</b>		\$ 8,074 <b>750</b>
2. Receivables from brokers or dealers:			
A. Clearance account .....	<b>295</b>		
B. Other .....	<b>300</b>	<b>550</b>	<b>810</b>
3. Receivables from non-customers .....	<b>355</b>	<b>398 600</b>	<b>398 830</b>
4. Securities and spot commodities owned, at market value:			
A. Exempted securities .....	<b>418</b>		
B. Debt securities .....	<b>419</b>		
C. Options .....	<b>420</b>		
D. Other securities .....	<b>162,955 424</b>		
E. Spot commodities .....	<b>430</b>		<b>162,955 850</b>
5. Securities and/or other investments not readily marketable:			
A. At cost <input checked="" type="checkbox"/> \$ .....	<b>130</b>		
B. At estimated fair value .....	<b>440</b>	<b>610</b>	<b>860</b>
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$ .....	<b>150</b>		
B. Other securities \$ .....	<b>160</b>		
7. Secured demand notes: .....	<b>470</b>	<b>640</b>	<b>890</b>
Market value of collateral:			
A. Exempted securities \$ .....	<b>170</b>		
B. Other securities \$ .....	<b>180</b>		
8. Memberships in exchanges:			
A. Owned, at market \$ .....	<b>190</b>		
B. Owned, at cost .....		<b>650</b>	
C. Contributed for use of the company, at market value .....		<b>660</b>	<b>900</b>
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....	<b>480</b>	<b>670</b>	<b>910</b>
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....	<b>490 535</b>	<b>680 735</b>	<b>920 830</b>
11. Other assets .....	<b>171,029 540</b>	<b>2,400 735 2,798 740</b>	<b>2,400 830 173,827 940</b>
12. TOTAL ASSETS .....			

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **Hakman & Company, Incorporated**

as of **01/31/04**

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

#### LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable .....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value: .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	408 1205	1385	408 1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		1690
B. Secured .....	1211	1390	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings: .....		1400	1710
1. from outsiders \$ .....	970		
2. Includes equity subordination (15c3-1(d)) of ... \$ .....	980		
B. Securities borrowings, at market value ... from outsiders \$ .....	990	1410	1720
C. Pursuant to secured demand note collateral agreements .....		1420	1730
1. from outsiders \$ .....	1000		
2. Includes equity subordination (15c3-1(d)) of ... \$ .....	1010		
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. TOTAL LIABILITIES .....	408 1230	1450	408 1760

#### Ownership Equity

21. Sole proprietorship .....	\$ 1770
22. Partnership (limited partners) .....	\$ 1780
23. Corporation:	
A. Preferred stock .....	1791
B. Common stock 100,000 shares authorized; 1,266 shares outstanding .....	22,988 1792
C. Additional paid-in capital .....	1793
D. Retained earnings .....	150,431 1794
E. Total .....	173,419 1795
F. Less capital stock in treasury .....	( ) 1796
24. TOTAL OWNERSHIP EQUITY .....	\$ 173,419 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....	\$ 173,827 1810

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Hakman & Company, Incorporated**

For the period (MMDDYY) from **02/01/03** **3932** to **01/31/04** **3933**  
Number of months included in this statement **12** **3931**

## STATEMENT OF INCOME (LOSS)

### REVENUE

1. Commissions:		
a. Commissions on transactions in exchange listed equity securities executed on an exchange .....	\$	<b>3935</b>
b. Commissions on listed option transactions .....		<b>3938</b>
c. All other securities commissions .....		<b>78 3939</b>
d. Total securities commissions .....		<b>78 3940</b>
2. Gains or losses on firm securities trading accounts		
a. From market making in options on a national securities exchange .....		<b>3945</b>
b. From all other trading .....		<b>3949</b>
c. Total gain (loss) .....		<b>3950</b>
3. Gains or losses on firm securities investment accounts .....		<b>3952</b>
4. Profit (loss) from underwriting and selling groups .....		<b>3955</b>
5. Revenue from sale of investment company shares .....		<b>3970</b>
6. Commodities revenue .....		<b>3990</b>
7. Fees for account supervision, investment advisory and administrative services .....		<b>3975</b>
8. Other revenue .....		<b>164,599 3995</b>
9. Total revenue .....	\$	<b>164,677 4030</b>

### EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers .....	\$	<b>5,042 4120</b>
11. Other employee compensation and benefits .....		<b>368 4115</b>
12. Commissions paid to other broker-dealers .....		<b>4140</b>
13. Interest expense .....		<b>4075</b>
a. Includes interest on accounts subject to subordination agreements ....		<b>4070</b>
14. Regulatory fees and expenses .....		<b>4195</b>
15. Other expenses .....		<b>91,449 4100</b>
16. Total expenses .....	\$	<b>96,859 4200</b>

### NET INCOME

17. Net income (loss) before Federal income taxes and items below (Item 9 less Item 16) .....	\$	<b>67,818 4210</b>
18. Provision for Federal income taxes (for parent only) .....		<b>14,200 4220</b>
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above .....		<b>4222</b>
a. After Federal income taxes of .....		<b>4338</b>
22. Extraordinary gains (losses) .....		<b>4224</b>
a. After Federal income taxes of .....		<b>4239</b>
21. Cumulative effect of changes in accounting principles .....		<b>4225</b>
22. Net income (loss) after Federal income taxes and extraordinary items .....	\$	<b>53,618 4230</b>

### MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items .....	\$	<b>4211</b>
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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER    Hakman & Company, Incorporated

For the period (MMDDYY) from 02/01/03 to 01/31/04

### STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period .....	\$	122,696	4240
A. Net income (loss) .....		53,618	4250
B. Additions (Includes non-conforming capital of .....	\$	4262	4260
C. Deductions (Includes non-conforming capital of .....	\$	4272	4270
Other comprehensive loss - unrealized loss on investments, net of deferred tax benefit of \$800			
2. Balance, end of period (From item 1800) .....	\$	173,419	4290

### STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period .....	\$	0	4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....	\$	0	4330

OMIT PENNIES

# Hakman and Company, Incorporated

## Statement of Cash Flows

*Year ended January 31, 2004*

### Operating activities:

Net income	\$ 53,618
Adjustments to reconcile net income to net cash provided by operating activities –	
Realized loss on investments	825
Changes in operating assets and liabilities –	
Decrease in prepaid expenses	2,657
Increase in tax refund receivable	(398)
Increase in deferred tax benefit	(1,200)
Decrease in accounts payable	(5,000)
Decrease in accrued expenses	(41)
Decrease in income taxes payable	(14,392)
Decrease in deferred taxes on income	(100)

**Net cash provided by operating activities** 35,969

### Net cash used in investing activities –

Payments for purchase of investments	(130,000)
--------------------------------------	-----------

**Net decrease in cash and cash equivalents** (94,031)

**Cash and cash equivalents, beginning of year** 136,280

**Cash and cash equivalents, end of year** \$ 42,249

### Supplemental disclosures of cash flow information –

Cash paid during the year for income taxes	\$ 30,290
--	-----------

### Noncash transaction -

Unrealized loss on investments, net of deferred tax benefit of \$800	\$ (2,895)
--	------------

*The accompanying notes are an integral part of this statement.*



Schedule 1

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **Hakman & Company, Incorporated**

as of 01/31/04

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	173,419	3480
2. Deduct ownership equity not allowable for Net Capital .....	Y	( )	3490
3. Total ownership equity qualified for Net Capital .....		173,419	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....			3520
B. Other (deductions) or allowable credits (List) .....			3525
5. Total capital and allowable subordinated liabilities .....	\$	173,419	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) .....	\$	2,798	3540
B. Secured demand note delinquency .....			3590
C. Commodity futures contracts and spot commodities— proprietary capital charges .....			3600
D. Other deductions and/or charges .....			3610
7. Other additions and/or allowable credits (List) .....		( 2,798 )	3620
8. Net capital before haircuts on securities positions .....	Y	\$ 170,621	3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments .....	\$		3660
B. Subordinated securities borrowings .....			3670
C. Trading and investment securities:			
1. Exempted securities .....	Y		3735
2. Debt securities .....			3733
3. Options .....			3730
4. Other securities .....		20,001	3734
D. Undue Concentration .....			3650
E. Other (List) .....			3736
10. Net Capital .....		( 20,001 )	3740
	\$	150,620	3750

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER Hakman &amp; Company, Incorporated

as of 01/31/04

### COMPUTATION OF NET CAPITAL REQUIREMENT

#### Part A

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) .....	\$	27	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	5,000	3760
14. Excess net capital (line 10 less 13) .....	\$	145,620	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	150,579	3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	408	3790
17. Add:			
A. Drafts for immediate credit .....	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	3810	
C. Other unrecorded amounts (List) .....	\$	3820	3830
19. Total aggregate indebtedness .....	\$	408	3840
20. Percentage of aggregate indebtedness to net capital (line 19 + line 10) .....	%	.27%	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%	.27%	3860

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

#### Part B N/A

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits. ....	\$		3970
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$		3880
24. Net capital requirement (greater of line 22 or 23) .....	\$		3760
25. Excess capital (line 10 less 24) .....	\$		3910
26. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000 .....	\$		3920

#### NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

# Hakman and Company, Incorporated

## Reconciliation of Computation of Net Capital

*January 31, 2004*

No.		Net Capital Computation		Audited Over/Under
		Audited	Unaudited	
1	Total ownership equity	\$ 173,419	\$ 173,419	\$ -
6A	Nonallowable assets	(2,798)	(2,798)	-
16	A.I. Liabilities	408	408	-
		\$ 171,029	\$ 171,029	\$ -



# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER Hakman & Company, Incorporated

as of 01/31/04

## Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- |   |             |             |
|---|-------------|-------------|
| A. (k) (1) — \$2,500 capital category as per Rule 15c3-1 .....  | <u>4550</u> | <u>4550</u> |
| B. (k) (2)(A) — "Special Account for the Exclusive Benefit of customers" maintained .....                   |             | <u>4560</u> |
| C. (k) (2) (B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis |             |             |
| Name of clearing firm <u>Van Kasper &amp; Co., Inc.</u> <u>4335</u>   | <u>X</u>    | <u>4570</u> |
| D. (k) (3) — Exempted by order of the Commission (include copy of letter) .....                             |             | <u>4580</u> |

**Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.**

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
▼ 31 <u>4600</u>	<u>4601</u>	<u>4602</u>	<u>4603</u>	<u>4604</u>	<u>4605</u>
▼ 32 <u>4610</u>	<u>4611</u>	<u>4612</u>	<u>4613</u>	<u>4614</u>	<u>4615</u>
▼ 33 <u>4620</u>	<u>4621</u>	<u>4622</u>	<u>4623</u>	<u>4624</u>	<u>4625</u>
▼ 34 <u>4630</u>	<u>4631</u>	<u>4632</u>	<u>4633</u>	<u>4634</u>	<u>4635</u>
▼ 35 <u>4640</u>	<u>4641</u>	<u>4642</u>	<u>4643</u>	<u>4644</u>	<u>4645</u>

Total \$ 4699

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals



ELWOOD • ESPINA • FERRELL LLP

*Certified Public Accountants*

## **Hakman & Company, Incorporated**

### **Independent Auditors' Report**

To the Board of Directors and Shareholder of  
Hakman & Company, Incorporated:

We have audited the financial statements of Hakman & Company, Incorporated as of January 31, 2004 and have reported thereon without qualification in our report dated February 17, 2004. We have also made an examination to determine if the company paid the appropriate general assessment for the period from February 1, 2003 through January 31, 2004, in accordance with applicable instructions and forms provided by the Securities Investor Protection Corporation, and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The company submitted only one General Assessment Payment Form (SIPIC-4) during this year, which represented the period from February 1, 2003 through January 31, 2004. This form showed a General Assessment of \$150. We have also determined that a General Assessment of only \$150 was payable for the year ended January 31, 2004.

In our opinion, Hakman & Company, Incorporated has paid all amounts due the Securities Investor Protection Corporation for the year ended January 31, 2004.

*Elwood, Espina, Ferrell, LLP*

February 17, 2004



# Hakman & Company, Incorporated

## Notes to Financial Statements

*Year ended January 31, 2004*

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1. **Nature of  
Business and  
Significant  
Accounting  
Policies**

**Organization** – Hakman & Company, Incorporated ("company") was incorporated on June 17, 1980 and subsequently registered with the Securities and Exchange Commission as a broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934. The company is engaged primarily in assisting in the private placement of securities and the sales of limited partnership interests for which it receives commissions.

The company is owned by Hakman Capital Corporation ("HCC").

**Method of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting, whereas the tax returns are filed on the cash basis.

**Cash Equivalents** – For purposes of the statements of cash flows, cash equivalents represent all highly liquid debt instruments with original maturities of three months or less. Cash equivalents are included in other securities on the accompanying statement of financial condition.

**Depreciation** – The company uses accelerated methods of depreciation over useful lives of seven years for furniture and fixtures. Fully depreciated assets still in use were \$40,451 at January 31, 2004.

**Investment** – Securities classified as "available-for-sale" are carried in the financial statements at fair value. Realized gains and losses, determined using first-in, first-out (FIFO) method, are included in earnings; unrealized holding gains and losses are reported in other income and expense.

**Income Taxes** – Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred taxes related primarily to differences in the deduction of California franchise taxes, unrealized losses on investments, operating loss carryovers, and capital loss carryovers. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.



**Use of Estimates** -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Investments**

The company purchased warrants for \$3,300 to purchase 300 shares of common stock of the NASDAQ Stock Market, Inc. These warrants are carried at market value. In January, 2004, the company purchased an investment in a mutual fund, which is carried at market value.

Investments are classified as available-for-sale and consist of equity securities and are recorded at the aggregate fair value of \$128,780 at January 31, 2004. Cost was \$132,475 at January 31, 2004. Unrealized losses included in other expenses on the accompanying statement of income (loss) were \$3,695 at January 31, 2004. Realized losses included in the statement of income (loss) were \$825 for the year ended January 31, 2004.

**3. Related Party Transactions**

The company reimbursed HCC for certain overhead expenses amounting to \$12,000 for the year ended January 31, 2004, which is included in other expenses on the accompanying statement of income (loss).

For the year ended January 31, 2004, the company paid commissions of \$35,205 to F. David Carr ("FDC"). FDC is an officer of the company. This amount is included in other expenses on the accompanying statement of income (loss).

**4. Taxes on Income**

The provision for taxes on income for the year ended January 31, 2004 consisted of the following:

	Federal	State	Total
Currently payable	\$ 9,453	\$ 6,047	\$ 15,500
Deferred taxes	(1,100)	(200)	(1,300)
<b>Total</b>	<b>\$ 8,353</b>	<b>\$ 5,847</b>	<b>\$ 14,200</b>



The provision for taxes on income differs from the amount that would be obtained by applying federal statutory rates to income before income taxes because no tax benefit has been provided for non-deductible expenses, the company is subject to state income taxes, and the separate calculations of the current and deferred provisions each consider the effect of graduated rates.

Deferred tax assets recognized for deductible temporary differences and loss carryforwards total \$2,400 for January 31, 2004. Deferred tax assets are individually classified as current and noncurrent based on their characteristics.

At January 31, 2004, there was a capital loss carryforward of approximately \$600, which expires in 2008. At January 31, 2004, there was a California net operating loss carryforward of approximately \$6,000 which begins to expire in 2005.

